

Durham Convention Center Authority meeting

Tuesday, March 17, 2009

8:00 am

The meeting was called to order at 8:00am with the following members present:

Present: Rob VanDewoestine, Rosemarie Kitchin, Patrick Byker, and Billy Ruffin

Owner's representation: Sharon DeShazo, and Drew Cummings.

Management Company: Richard Brezinski, and Alfrado Garner.

Motion of approval for February 17, 2009 minutes moved by Rosemarie Kitchin, seconded by Patrick Byker, voted and agreed upon by all.

Action Items for April

- End-of-year forecast for current fiscal year.

Meeting Details

The Authority made note and disagrees with the Phase I project stating "it's on schedule". The project is delayed by twelve weeks even though additional CM@R costs have been avoided; the project remains unclosed.

The Authority made note and disagrees with being told the CM@R assumed costs for the coil freeze incident in December and now the project is assuming this cost until fault is declared. They would like clarification, and who approved payment.

A national code has not been established for the floor boxes in the grand ballroom. Mr. VanDewoestine forwarded a website to project management which included California standards. Ms. Kitchin inquired whether issues with the floor boxes will impede sales for the use of the ballroom. Mr. Cummings inquired why the floor boxes were not included in the current project punch list. Patrick Byker added the problem lies with the floor boxes not being included in the design phase. The project should have investigated a design standard for the floor boxes.

What is the disparity between each scope of work data distributed to date? Some items have already been addressed and some completed through the operating budget. Will there be an official scope of work document with sign off agreement from the stakeholders. Changes should be noted with stakeholders signing the original document, and as changes occur.

The Durham Chamber of Commerce has an afterhour's business opportunity which will allow the Convention Center to showcase the new grand ballroom for local bookings to prior and potential clients. The proposal is to participate in this venue as a regular event as a public relations effort. Ms. DeShazo will provide more detail.

There was discussion regarding a proposal by Shaner for a three way division with the owners of the convention center fiscal year 2008/09 deficit. Follow-up will be completed by the owner's representatives with Shaner.

Mr. Cummings, County representative noted concern regarding significant errors found in Shaner's financial reporting from prior months; consequently corrected and distributed without notification to the Owners or the Authority.

The Authority elected to attend the May 18 City Council meeting referencing Phase II of the convention center capital improvement project design contract.

Capital Project Update March 2009:

Current Project – Phase I

General Service's project management reported that the construction phase was completed within budget and on schedule. This included an extra scope of \$ 316,000.00 added after construction commenced to upgrade the lower pre-function corridor and for new folding partitions in the original ballrooms. A further \$24,000.00 scope addition was made subsequent to completion and occupation to resolve unforeseen irregularities in the incoming electrical supply (line-reactors) and new ballroom thermostats. This delayed the project close-out phase by twelve weeks but additional CM@R overhead costs were avoided.

Punch-list

2 items remain;

- Compact fluorescent can lamps are still failing in the grand ballrooms. The A/E and CM@R are continuing to liaise with the lamp, ballast and dimmer suppliers to resolve.
- Some corner guards on the wing walls in the service corridor were loose and all are being repaired.

Close-out issues

- Duke Energy continues to monitor 'transient switching' onsite and at their sub-station and will advise the project design team on any need for additional line reactors for inclusion in the phase II project.
- The project design team reported on the AHU freeze-failure but is as yet unable to clearly ascribe fault and the recovery costs are being paid through the project contingency until liability is established.
- A meeting was held on February 11th to review recent difficulties and apparent confusion in Shaner's operation of the HVAC systems and to underscore their responsibility for planned maintenance to ensure that equipment warranties are not voided. We understand this is being addressed with the increased involvement of an outside maintenance contractor so that the correct operational and maintenance procedures are adhered to and to ensure that all warranty conditions are preserved.

New Project - Phase II

The new project was planned to proceed as a bundle with the adjacent Carolina Theatre and Arts Council projects. A preliminary meeting was held in July 2008 with each set of stakeholders to develop the project scope based on the un-funded list (appendix B) from the current project. The Architect issued a fee proposal for the follow-on Phase II project

in October 2008. This was recently revised to include updated stakeholder requests - mainly from the Theatre and Arts projects. City General Services shared the Architect's revised fee with the County partnership and will also issue the CM@R design fee to allow review of design costs for the convention center project. City General Services is scheduling contract amendments (both A/E and CM@R) for recommendation of approval at the May 18, 2009 City Council meeting.

Project Budget

Design phase Funds; Funded July 2008 at \$1,176,000

Design phase Expenditures

- A/E design contract
- A/E design contract contingency
- CM@R pre-construction contract
- CM@R pre-construction contract contingency

Construction phase Funds; Anticipated July 2009 at \$5,868,500.00

Construction phase Expenditures

- CM@R GMP contract
- CM@R GMP contract contingency

Project Scope - summary of proposed scope

- Replace and repair floor tiling to kitchen, lobby and restrooms
- Replace and repair roofing membrane
- Replace suspended ceiling tiles
- Replace folding partitions to meeting rooms 105-108
- Replace and upgrade miscellaneous door hardware
- Repair and redecorate miscellaneous doors
- Upgrade sound system to all 7 ballrooms
- Lighting upgrades to Ballrooms 101, 102, 103, 104
- Replace skylight
- Reassess balance of HVAC plant not previously addressed including upgrade of two 350 ton Water-cooled chillers
- Address balance of ADA issues from DOJ schedule
- Verify operation & coverage of emergency lighting
- Evaluate potential power fluctuation issues
- Assess carpet and wall covering throughout
- Recently added scope items;
 1. Design review and corrective work to 2 loading-dock roller shutter doors.
 2. Design review and upgrade of electrical floor boxes to new Grand Ball room.

Design Phase – 6 months

The stakeholders decided at the October 2008 'lessons learned' meeting a steering committee would decide on the final scope based on the priorities identified by the design

team and forward an update to the stakeholders on project status. The stakeholders also decided the committee would include;

- (Owners) City and County Micheál Lynch and Drew Cummings
- Shaner Dick Brezinski, and Director of Sales
- Architect/Engineer Clay Clayton and Glenn Key
- CM@R Skanska Project Management

During the design phase the CM@R will develop a construction schedule and consult with Project Management and Shaner for any business shutdowns which may be required.

Construction Phase – schedule TBA

The CM@R issues a Guaranteed Maximum Price developed from the acceptable bid result, which then becomes the basis for their construction phase contract.

Management Company Status Report:

February revenues came in \$33,983 over budget at \$140,733 and \$64,053 more than prior year. Audio Visual came in at \$3,358 more than budget. Food labor and direct expenses continue to be reviewed. Food costs are under budget at 25.8%. The Convention Center lost \$7,000 in March revenues due to cancellations. \$5,000 for the Fuqua study and \$2,000 for additional signage not included in Phase I will be paid from the operating budget. Per Mr. Crutchfield, Shaner will remit payment for the Fuqua Study upfront and the City and County will share cost under the interlocal agreement by increasing Shaner's budget. The sales group has new brochures for distribution as a reflection of the newly renovated grand ballroom. As of March 17, the year-to-date deficit is \$396,221 showing a slight decrease over last month. Bad debt is shown in the profit and loss statement accounts for debt over 120 days. Those funds are put into a reserve account at 100%, and are shown on the profit and loss statement as an expense. Once the money is collected, it is shown as a credit. As a rule, bad debt losses are below 1% of revenue.

Wendy Jeffries has been finalized as the new director of sales candidate.

As a result of the Fuqua Study recommendation, Shaner is investigating the development of a website specifically for the Convention Center. The objective is to have internet searches come to that site as number one.

Suggested items for Shaners monthly reports:

- A balance scorecard approach to management
 - how we measure success, profits and customer satisfaction
 - market share – how the convention center is doing in relationship to other facilities
- Financial results flow through based on sales results
- Star report which reveals measuring overall market share of the local area.
- Track and measure inquiries.
- What Shaner is doing proactively regarding solicitation measures
 - Will show what is happening with the overall demand of the convention center.

- Ms. Kitchen inquired about the percentage of inquiries which convert into booked events.
- A conversion percentage compilation should have procedures which would reveal what it is.
- Tracking social (walk-in) business

Fixed costs vs. variable costs:

Fixed costs are items not in our control; variable costs are a percentage of sales. Food and Beverage costs are derivative of revenues.

Fixed costs:

- Management Fee
- Small fixed assets
- Administrative and General Labor
- Sales and Marketing Labor
- Repairs and Maintenance Labor
- Utilities
- Rooms Department Labor
- Telephone
- Insurance

Variable Cost:

Rooms Department
Food Cost
Food Labor
Audio Visual
Contract Labor
Food Direct Expenses
Beverage Labor
Beverage Cost
Beverage Direct Expenses

Fixed and Variable Costs:

- Administrative and General Direct Expenses
- Sales and Marketing Direct Expenses
- Repairs and Maintenance Direct Expenses

The Fuqua final report will be distributed approximately April 1, for discussion at the next Authority meeting.

Agenda for next meeting

- Phase I closeout and Phase II scope of work
- Management report
- Review of Fuqua final report